

## Message Text

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ACTION EA-13

INFO OCT-01 SS-14 ISO-00 NSC-10 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 PM-03 L-02 SAM-01 PRS-01 SPC-01 DRC-01

/058 W

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R 201005Z FEB 74

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 0786

OSD ISA

INFO AMEMBASSY TAIPEI

AMEMBASSY VIENTIANE

AMCONSUL UDORN

S E C R E T BANGKOK 2851

LIMDIS

E.O. 11652: GDS

TAGS: MARR, MCAP, TH, LA

SUBJ: AIR AMERICA

REF: BANGKOK 2423

1. IN CONSULTATION WITH US MISSION IN VIENTIANE, WE HAVE EVALUATED THE REQUIREMENT FOR CONTINUATION OF AIR AMERICA OPERATIONS FROM THAI BASES AND HAVE REACHED THE FOLLOWING TENTATIVE CONCLUSIONS:

A. AIR AMERICA OPERATIONS IN THAILAND ARE COMING UNDER INCREASING RTG CRITICISM (REFTEL), AND WE ANTICIPATE THAT THE RTG MAY SHORTLY REQUEST AIR AMERICA CEASE OPERATIONS IN THAILAND NOT LATER THAN 30 JUNE 1974 WHEN ITS CONTRACT EXPIRES. IN ANY EVENT, ONCE THE THAI SGUS IN LAOS ARE TERMINATED AT THE END OF THE FISCAL YEAR, IN THE RTG VIEW THE MAJOR JUSTIFICATION FOR AIR AMERICA OPERATIONS WILL EXPIRE.

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B. CONCOMITANTLY, FULL IMPLEMENTATION OF THE LAOS COALITION

GOVERNMENT, WITH THE MINISTRY OF PUBLIC WORKS/TRANSPORTATION PORTFOLIO HELD BY THE PATHET LAO, COULD VERY QUICKLY PUT AN END TO OVERT AIR AMERICA CROSS-BORDER MOVEMENTS BETWEEN THAILAND AND LAOS.

C. PRESENT FLIGHT OPERATIONS IN THAILAND NOW PROVIDED BY AIR AMERICA, INCLUDING SUPPORT TO JOINT US/THAI BPP AND RELATED NARCOTICS PROGRAMS, SHOULD BE RETAINED IF AT ALL POSSIBLE.

D. US MISSION VIENTIANE REQUIREMENTS FOR CONTINUED AIR AMERICA FLIGHT OPERATIONS BEYOND 30 JUNE CAN BE ACCOMMODATED BY OTHER MEANS.

E. THE RLAF IS ALMOST TOTALLY DEPENDENT FOR CONTINUED OPERATIONS ON THE AIR AMERICA UDORN MAINTENANCE CAPABILITY. CONSEQUENTLY, THIS CAPABILITY SHOULD BE RETAINED AT LEAST 18 MONTHS UNTIL RLAF IN-COUNTRY SELF-SUFFICIENCY CAN BE ACHIEVED, ALTHOUGH WHETHER THE PGNU AND/OR RTG WILL SANCTION CONTINUED RLAF MAINTENANCE AT UDORN IS SOMEWHAT DOUBTFUL. IT IS ANTICIPATED THAT USG CAMBODIAN AIR FORCE TRAINING PROGRAMS DEPENDENT ON THE UDORN MAINTENANCE FACILITY WILL CONTINUE FOR SOME TIME BEYOND 30 JUNE 1974.

F. WE CONCLUDE, THEREFORE, THAT AIR AMERICA IN ITS PRESENT FORM WILL NOT BE ABLE TO CONTINUE OPERATION IN THAILAND PAST 30 JUNE. HOWEVER, IT IS ESSENTIAL THAT THE MAINTENANCE CAPABILITY AT UDORN BE RETAINED IN SOME OTHER FORM TO SUPPORT RLAF AND KAF PROGRAMS. IT IS ALSO DESIRABLE THAT SOME CONTRACTOR-OPERATED AIR SUPPORT BE AVAILABLE TO THE US MISSIONS IN THAILAND AND LAOS.

2. THE PENDING SALE OF AIR AMERICA IS INHIBITING ANY ALTERNATIVE ARRANGEMENTS FOR CONTINUING THAILAND-BASED OPERATIONS BEYOND 30 JUNE. THEREFORE WE BELIEVE, AS A MINIMUM, AGREEMENT SHOULD BE SOUGHT FROM AIR AMERICA TO SEPARATE THESE OPERATIONS FROM THE BALANCE OF THE CORPORATION AND FACILITATE SALE OR TRANSFER OF THEIR INTERESTS TO ANOTHER ENTITY. SINCE BUILDINGS AND SHOP EQUIPMENT ARE MOSTLY USG PROPERTY, AIR AMERICA EQUITY LARGELY CONSISTS

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OF MANAGEMENT AND USG CONTRACTS. RESERVOIR OF TRAINED THAI MANPOWER IS ALSO VALUABLE BUT UNSALEABLE ASSET.

3. WE DO NOT BELIEVE THAT ANY OTHER AMERICAN CONTRACTOR WOULD BE ACCEPTABLE TO THE RTG, EXCEPT IN PARTNERSHIP WITH A THAI FIRM IN A JOINT VENTURE. THE EXISTING THAI/AM JOINT VENTURE IS PRESENTLY WORKING ON US MILITARY CONTRACTS FOR KAF MAINTENANCE AND IS CONSIDERED ACCEPTABLE TO THE RTG.

THEREFORE, WE URGE DIRECT APPROACH TO THE US THAI/AM PARTNERS TO LAY BASIS FOR INTER-CORPORATE ARRANGEMENT FOR TRANSFER OF AIR AMERICA INTERESTS, WITH RETENTION OF SUCH AMERICAN PERSONNEL IN THAILAND AS REQUIRED FOR FLIGHT OPERATIONS AND MAINTENANCE QUALITY CONTROL BEYOND 30 JUNE.

4. IF THAI/AM BACKERS NOT WILLING TO UNDERTAKE INITIATIVE WITH THAI PARTNERS, AIR AMERICA SHOULD BE URGED TO EITHER:  
(A) SEEK A THAI PRICE OFFER FOR THAI-BASED OPERATIONS; OR  
(B) IN LIKELY EVENT THERE ARE NO BUYERS, PURSUE ENERGETICALLY JOINT VENTURE ARRANGEMENT WITH A THAI PARTNER.

5. LACKING SUCCESSFUL USG INTERVENTION WITH COMPANY MANAGERMENTS TO ENSURE ORDERLY TRANSFER, WE ANTICIPATE THAT RTG WILL COME DOWN HARD ON AIR AMERICA OPERATIONS IN EXPECTATION OF INHERITING BUILDINGS AND SHOP EQUIPMENT AS EXCESS PROPERTY IF AIR AMERICA IS FORCED OUT OF BUSINESS AT UDORN. THIS WOULD IN FACT BE ALTERNATIVE FALLBACK POSSIBILITY, WITH ONUS PLACED ON RTG TO ORGANIZE CONTINUED OPERATION OF MAINTENANCE FACILITY FOR RESIDUAL USG NEEDS, BUT WE WOULD EXPECT GREATER CONFUSION AS WELL AS TEMPORARY HIATUS AND DETERIORATION IN SERVICE QUALITY.

6. ACTION REQUESTED: IN VIEW IMPORTANCE ATTACHED TO NOT IMPAIRING RLAF (AND BY INFERENCE KAF) CAPABILITY (STATE 027961, PARA 2), WE REQUEST WASHINGTON AGENCIES TAKE URGENT APPROPRIATE ACTION TO ENSURE CONTINUING ESSENTIAL CONTRACT AIRCRAFT MAINTENANCE FACILITY AND AIR OPERATIONS OUT OF UDORN BASE.  
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